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Chain Store Age

GENERAL MERCHANDISE TRENDS NOVEMBER 1987

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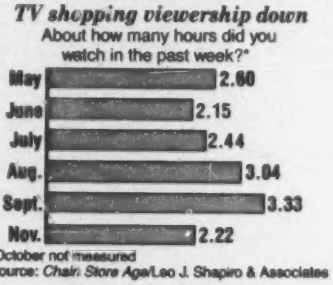
TV shopping viewership down

Home television shopping viewership is down to one of its lowest levels in the last six months. Both the number of households watching and the number of hours that the average family is watching the new format hit near-record lows in the latest *Chain Store Age*/Leo J. Shapiro & Associates nationwide poll.

Though 42% of the families in the poll report that they have watched a TV shopping show at least once, only 29% of the survey households say they have watched one of the home shopping programs within the last week. This compares to the average 38% who reported watching over the summer months.



And those who are watching, are watching less, according to the survey. On the average, TV shoppers say that they viewed about 2.2 hours of programming in the previous week. This compares to the average 3 hours or more recorded in the two previous polls.

Just as keeping the customer in the store longer will boost sales for traditional retailers, the longer a customer watches TV shopping, the more likely she is to buy. On the average, those who bought from a TV seller watched 4.6 hours of programming, compared to 1.9 hours for non-buyers.

What are TV shoppers buying? According to the most recent *Chain Store Age*/Shapiro survey, electronics and jewelry are the current top sellers. Of families who say they have bought merchandise from one of the TV sellers, 29% report buying jewelry. Another 6.9% say they bought a home electronics product.

Zayre woos the frequent shopper

Zayre's is taking a leaf out of the airline industry's book with a new Frequent Z point of purchase club for consumers.

The program awards consumers points for all merchandise purchased at the 375-store discount chain. As these points accumulate, the consumers can use them toward the purchase of special items from the Frequent Z catalog.

The pilot program, which will ultimately involve 51 stores, was launched in four Zayre's units last month prior to an anticipated chain roll-out next spring.

Special greeters at the participating stores in Cleveland, Greensboro/Winton-Salem, N.C., Tampa/St. Petersburg, Fla. and Memphis, Tenn. distributed membership cards, information brochures and catalogs to customers. After the introductory period, these materials will be available at the Zayre's customer service desk on request.

To become a club member, customers need only fill in their name and address to receive a card. Group membership cards, all with the same identification number, are also available so that points can be pooled toward a group award.

All members will be given 3,000 bonus points with their first purchase. Additional points will be added instantly with every purchase. The 375-store chain has incorporated a sophisticated software system into its check-put registers that will electronically calculate the number of points awarded at the time of purchase and automatically provide a current accumulated point total.

Sunbeam acts to abandon rebates

Sunbeam Appliance Co. has joined the growing ranks of small appliance producers who are abandoning rebates.

Sunbeam president James J. Connors has advised key retailers by letter that the company will reduce the number of rebates offered to one or two in 1988, and will eliminate them entirely in 1989.

Connors pointed out that Sunbeam had reduced the number of rebates offered in each of the past three years. He added that consumers have convinced Sunbeam that it should accelerate this trend and eliminate rebates entirely.

Connors emphasized that the decision on rebates applied to all Sunbeam-brand kitchen appliances, garment care products and personal care appiances. Other companies within the Allegheny International family who market Sunbeam-branded products will disclose their plans in due course.

National Presto, Black & Decker and Hamilton Beach are other small appliance makers who have dropped or are dropping rebates.

Package sets enter new bed/bath arena

Retailers may find new opportunities for multiple sales in the sets of blankets and bath accessories now entering the market.

Saturday Knight Ltd. is entering the mass market this month with a discounters' version of the Bath in a Box series that debuted this month in department and specialty stores.

One set includes a shower curtain, hooks, tumbler, tooth brush holder and soap dish for a $30 to $35 retail. The other set, which sells for $60 to $65, features a shower curtain, hooks, two ceramic pieces and three towels.

Customers who perceive better value in the sets are right, says Saturday Knight's Stephen Novick. "They're selling for a little less than the sum of the parts," he says.

Meanwhile, Beacon is introducing packages that contain multiple blankets or a blanket and a bed spread.

The movement toward packaging in multiples is an outgrowth of the success of sheet sets and "twofer" sales.

Customers finding new places to buy

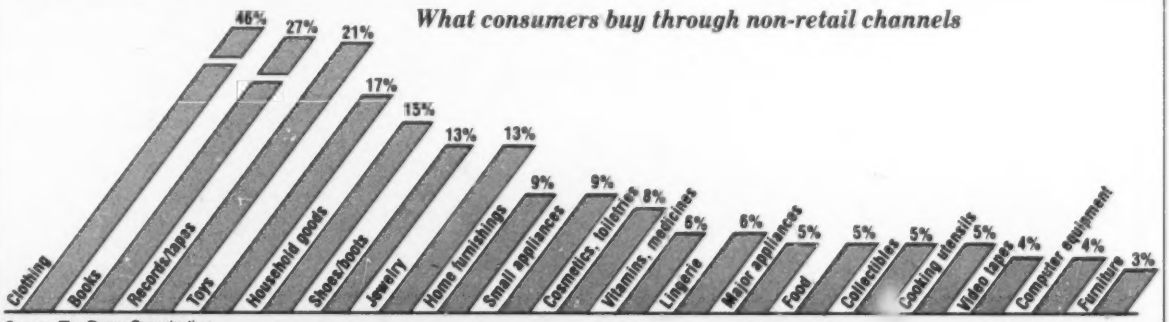
Customers are buying more without ever walking into a retail store, says *The Public Pulse*, a Roper Organization publication. Within the past three months, the pollster reports that more than half of all adults bought something without going into a regular retail outlet.

What did they buy? Apparel topped the list in the most recent poll, named by 46% of all direct response customers. Following were books (27%), records/tapes/compact discs (21%) and toys (17%). Also cited were small appliances (9%), major appliances (5%), cooking utensils (5%) and video tapes (4%).

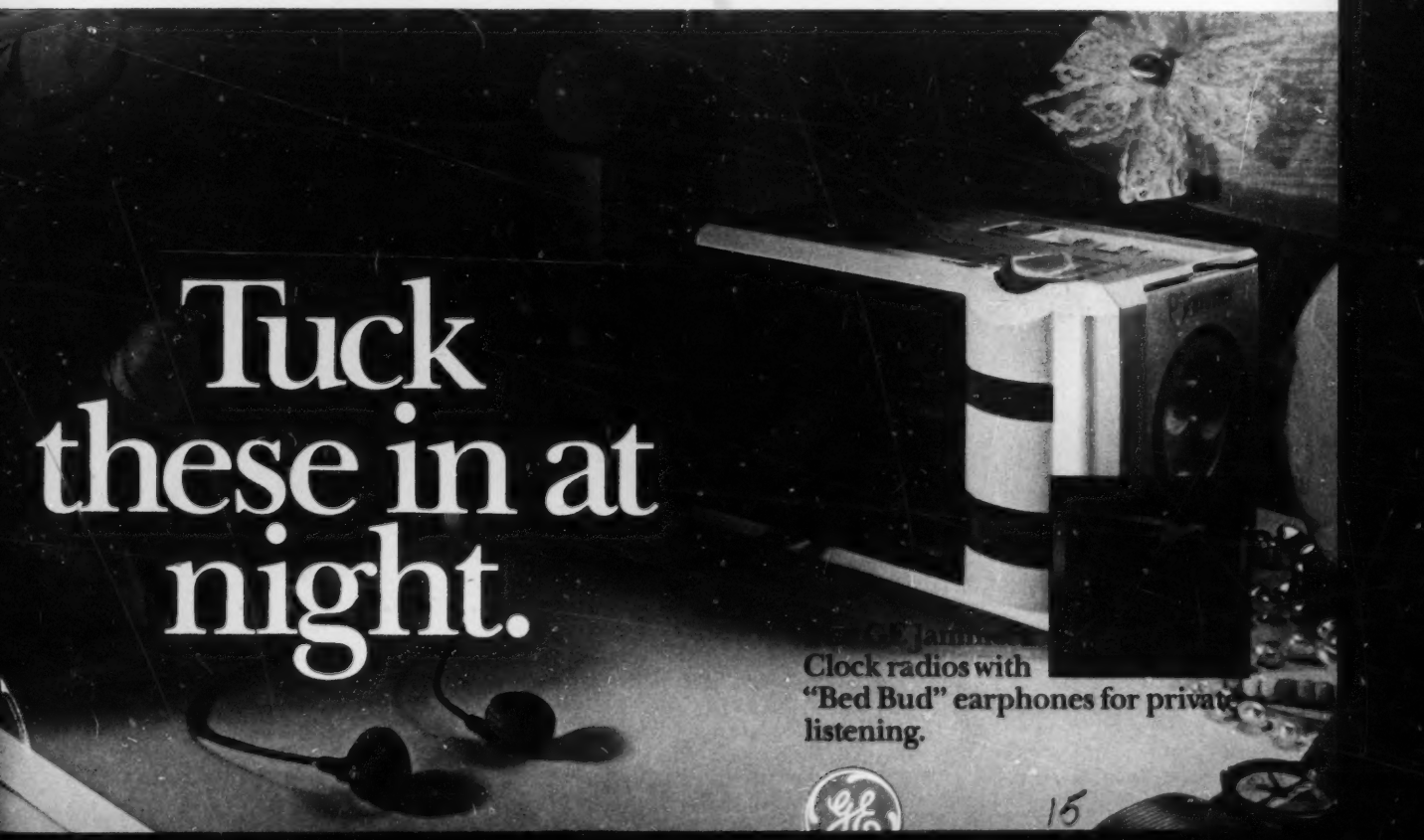
Looking ahead, the pollster predicts that products with the best chance to post direct response sales gains this year include linens, towels, collectibles and personal computer equipment.

Mail order catalogs were the way most direct response customers shopped, according to Roper. Fully 62% of direct response consumers ordered from a catalog. In second place with 38% were department store catalogs. The popularity of both types of catalogs has increased since 1986. Toll-free telephone numbers, however, are the fastest growing ordering device, says Roper.

What consumers buy through non-retail channels



Source: The Roper Organization



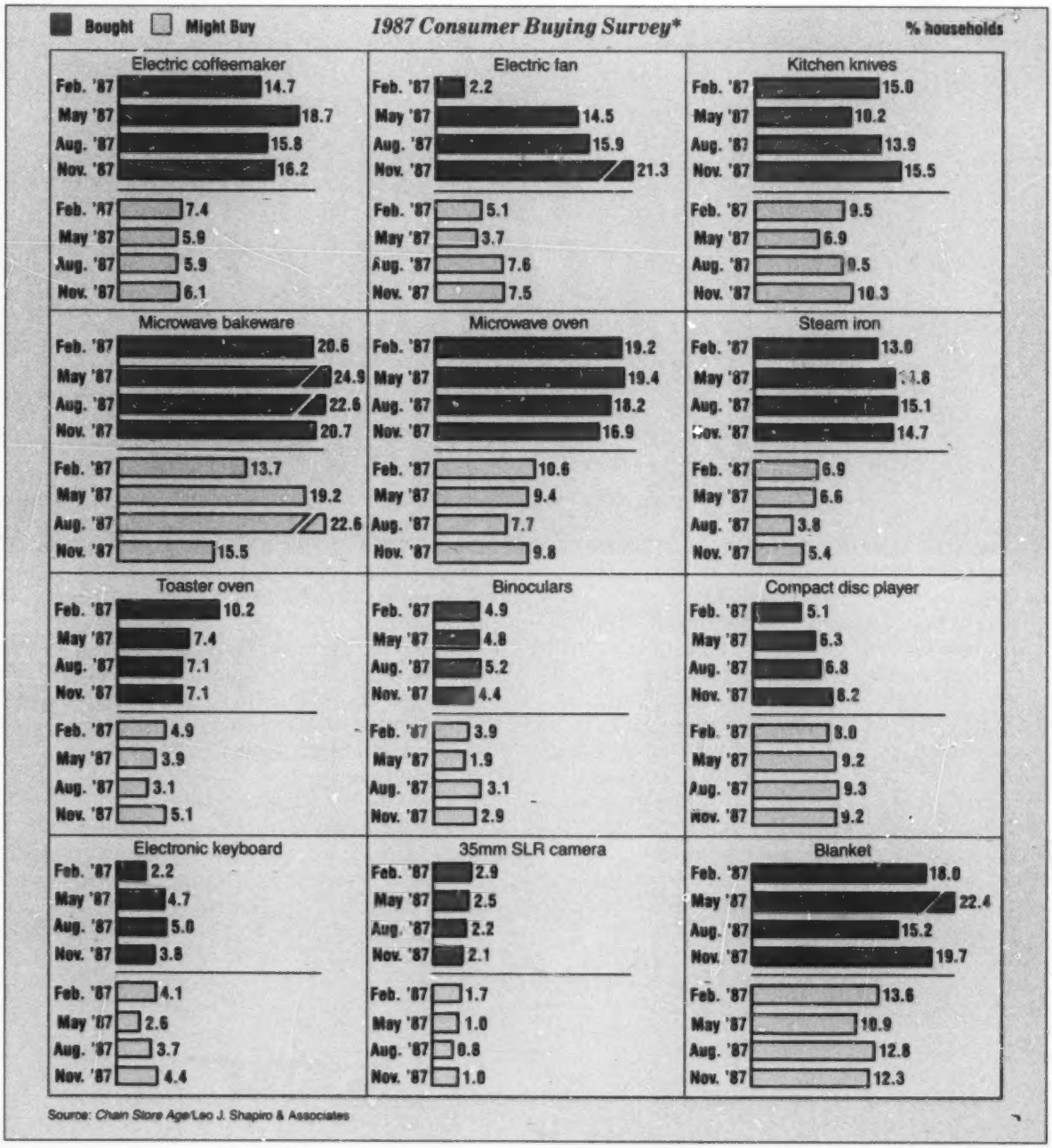
Small gain in home store departments

The next 12 months will bring only single-digit sales increases for most home store departments. According to the latest *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends poll, home electronics and housewares departments in particular will have trouble posting more than modest gains in 1988. Photo categories will have problems keeping up even at that reduced pace.

What is ailing photo departments is painfully clear in the most recent nationwide survey. Since last November, the number of MarkeTrends families reporting they recently bought a 35mm SLR camera has slipped from almost 3% of all families a year ago to only slightly more than 2% in the latest poll.

And the trend gives every indication of continuing. Compared to year-ago readings, 28% fewer MarkeTrends families expect to buy a single-lens reflex camera in 1988.

In home electronics, two of the departments recent hottest products—VCRs and CD players—are set for some cooling off, according to the MarkeTrends poll. Video cas-



Source: *Chain Store Age*/Leo J. Shapiro & Associates

sette recorder sales already have reached a plateau this year, and look as if they will stay at that level—or slightly below—next year.

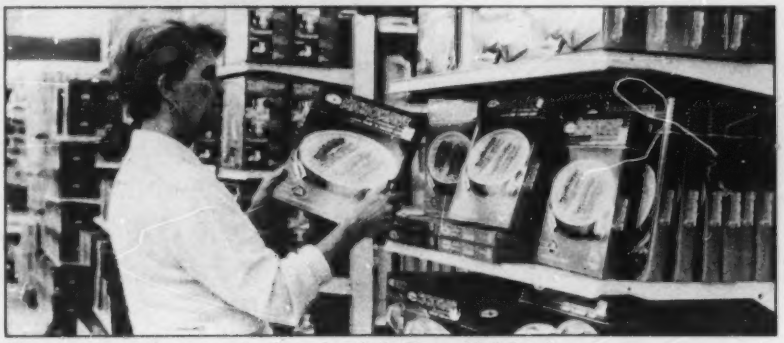
Compact disc player sales soon will level off, too, says the MarkeTrends survey. Though CD player sales have trended upward throughout 1987, future buying plans have not gained a jot in the last six months.

With smaller sales contributions from both VCRs and compact disc players in 1988, electronics departments will have trouble posting real gains any higher than single digits.

One of the few comers in electronics are musical keyboards. Both sales and future buying plans have been growing all year.

Housewares departments, meanwhile, will have a harder time of it next year. Future demand for electric coffeemakers, as measured in the MarekTrends poll, is down about 5% from totals recorded a year ago.

Buying plans for steam irons are down, too. Though sales have remained steady throughout 1987, the latest survey indicates that about 11% fewer families think they will buy a steam iron in 1988.



Microwave cookware sales have leveled off at a high level.

Interest in buying microwave bakeware is down considerably from the high the category hit last February, but is still about 19% ahead of readings taken a year ago.

The results suggest that sales of bakeware for the microwave will continue at relatively high levels, but that any more growth will be hard to come by.

Microwave ovens themselves will experience nearly exactly the same sales path. Customer interest in buying a new microwave was highest in the February survey, but now is running at a level 5% above last year's totals.

The housewares department will have its stars, however. Demand for kitchen knives has been growing steadily for the last 12 months. In the most recent survey, buying plans post their third consecutive quarterly gain, and are running 39% above year-ago levels. Also scoring an impressive gain are electric fans. □

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SELLING THE SECOND AND THIRD VCR

Eight percent of households now have two video recorders—2% own three. Thirty-nine percent of those who definitely will buy a VCR next year already have one.

Video cassette recorder sales in 1988 will have trouble besting this year's volume. According to the latest *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends poll, VCR sales next year will hover at about 12 million units, or just about equal to their performance in 1987.

Sales next year will come in only slightly above the 11.8 million units the Electronics Industries Association reports were shipped to dealers in 1986.

With nearly 59% of MarkeTrends families reporting that they already own at least one video cassette recorder (8% of the total say that they own two VCRs, another 2% own three), the market is quickly evolving into a replacement business.

According to the latest nationwide telephone survey, 39% of those who say they "definitely" will buy a VCR next year already own a video recorder. Twenty-one percent of those who think they "probably" will purchase in 1988 have VCRs now. Fifty-six percent of those who say that they "may" buy next year are current video recorder owners.

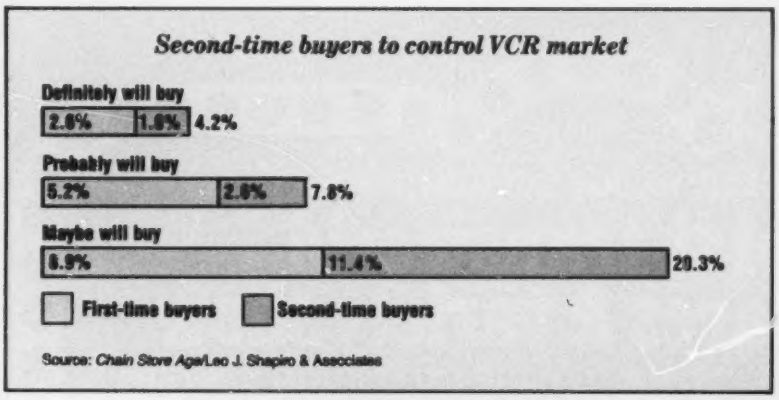
Just how important second-and even third-time buyers will be in the VCR market perhaps will come as a surprise to some in the industry.

According to the MarkeTrends poll, second-time buyers will account for 70% of all VCR sales next year with a price tag of $500 or more. For recorders priced at $600 or more, 60% of all sales will be in the replacement market.

On the average, VCR owners report that they paid $435 for their first recorder. When they buy a replacement, according to the MarkeTrends survey, they expect to pay $462.

In reality, calling the new situation a replacement market is a misnomer. In the current MarkeTrends poll, fewer than 1 in 25 of the families that already own a VCR say that they will ditch the old recorder when they buy a new one.

Instead, the survey families report that the old recorder will go to the living room (29%), bedroom (17%) or family room (13%). The new VCR, interestingly, will most likely end up in



Beta just won't die

Perhaps to everyone's surprise, Beta just will not go quietly away. Though the format's popularity slips yet another notch in the latest MarkeTrends poll, about 1 in 20 customers is still loyal to Sony's original video recording format.

Asked which format their next VCR will use, 5.3% of the MarkeTrends families choose Beta. The great majority, or 79.4%, pick VHS, while 1.3% select 8mm, Sony's other try at a video format. Another 13.9% do not answer.

A year ago, 8.5% of the survey families picked Beta, 2.8% chose 8mm, 56.8% selected VHS, and 31.9% did not answer.

Beta's biggest fans, according to the poll, are among those who shopped for their last VCR at one of the department stores or at an audio/electronics specialty outlet. Beta was a strong performer in both channels of distribution, so it is likely that the format's remaining boosters are families looking to replace an older Beta machine.

For comparison, 8mm's popularity is highest among those who bought a VCR at a discount or electronics specialty store. Eight-millimeter's downscale image, not to mention its now frequent appearances on close-outs such as TV's Cable Value Network, must be a major disappointment for Sony, which originally had tried to create an upscale image for the format.

one of the very same rooms.

What appears to be happening is this: if the old VCR is in the living room, it will be moved to a bedroom; if the old recorder is in the bedroom, it will be moved out to the living room, and the new one put in the bedroom in its place.

Wherever the new VCR ends up, one thing is sure. The new recorder will be more highly featured than the old one. More than half of VCR owners (55%) say that they want more features the next time out.

In particular, *CSA* asked the MarkeTrends families if they wanted nine different VCR features, ranging from wireless remote to special effects and one-touch recording.

When the answers were totalled, it was hard to find a feature that current VCR owners did not want the second time around. For example, 97% of current owners say that they want wireless remote control the next time.

Ninety-four percent want cable compatibility. Eighty-one percent expect to buy a stereo hi-fi recorder the next time. Seventy-nine percent express a positive opinion on a feature as arcane as four video recording heads.

Though second-time buyers have a good feel for what features their next VCR will have, they are less

VCR sales will be strongest in both the Pacific and East South Central regions.

sure, according to the MarkeTrends poll, as to what brand it will be. More than 1 in 3 of the survey families do not name the brand they expect to buy.

Among those who do have a preference, however, Panasonic leads the list, named by 12% as the brand they expect to buy. Following are RCA (8%), Sony (7%), Fisher (5%) and Zenith (4%).

When it comes to picking the store where they will buy a VCR, second-time purchasers are more likely to name an electronics specialty store than are first-time buyers. In the poll, 38% of second-time buyers name one of the specialists, compared to 31% of first-time buyers.

Instead, first-time buyers are more likely to say they will make their VCR purchase at a discount store (6% for first-timers vs. 4% for second-timers), or at either Sears, Penney or Montgomery Ward (6% compared to 5%). Both groups, however, are equally likely to name a department store (6%) or a catalog showroom (2%).

Though nationwide sales next year will match this year's results, according to the MarkeTrends survey, volume will vary significantly region by region.

Sales will be strongest in the Pacific and East South Central parts of the country. New England will experience extremely weak sales, according to the poll. The West North Central region will also ring up mediocre results, compared to the rest of the country.

Smaller cities (under 1 million population) and their suburbs will ring up bigger VCR sales than will the big cities, according to the MarkeTrends poll. Rural areas will post weak results. □

Good future ahead for Super-VHS

Better picture quality—the kind Super-VHS can deliver—is something customers both want and will pay for. According to the latest *Chain Store Age*/Leo J. Shapiro & Associates MarkeTrends poll, some customers will pay as much as $300 extra for a VCR that creates a better video picture.

That news is especially good for Super-VHS. Though the newest video format has a long way to go before it becomes the de facto standard for VCRs, it nonetheless has a good chance at a prosperous future.

Industry analysts are predicting that Super-VHS will grab about 5%-6% of the VCR market next year. The MarkeTrends survey suggests that the new format's long-term potential is even bigger.

To those who thought that customers might balk at the new system's high price tag, the latest study offers some reassurance.

VCR owners willing to pay for an even better picture.

Under $30	4.9%
$30-$49	3.5
$50-$59	6.6
$60-$99	2.5
$100-$149	9.3
$150-$199	3.4
$200-$249	6.3
$250 and over	10.1
Nothing	38.3
Not Answering	14.3

Source: *Chain Store Age*/Leo J. Shapiro & Associates

MarkeTrends research reveals that the real action in video cassette recorders in the near future will not be at the low end, as many had believed, but at the middle and top-of-the-line.

The average amount that consumers expect to pay for a new VCR—$458, according to the MarkeTrends survey—has not changed a penney since last year. However, the number of potential customers clustered at the high end ($700 and over) has jumped by nearly 20%.

What are they willing to pay for? A better picture, says the poll. Families in the MarkeTrends study report that they would pay an average $147.30 extra to get a better picture. Estimates range from less than $30 to more than $300.

A surprisingly high 10.1% of the MarkeTrends families say that they would pay more than $300 for better video quality.

CONSUMERS CONTINUE TO DRESS UP THEIR WINDOWS

Traditional and alternative treatments continue to divide the market almost evenly. Hard treatments, however, are growing more quickly than soft treatments.

***Of those polled,** 20% expect to buy curtains and 18% anticipate purchasing drapes.*

Next year's window blinds of choice will closely resemble this year's: ready-made vinyl mini's, possibly purchased at a department store and probably sharing a window with curtains or drapes.

That prognostication is backed by statistics from the latest consumer poll of 454 households by *Chain Store Age*/Leo J. Shapiro & Associates. The study also shows continued strong sales in the $4 billion window treatment market for drapes, curtains and shades, as well as for blinds.

Traditional and alternative treatments continue to divide the market almost evenly. Hard treatments, however, are growing more quickly than soft treatments, industry sources say.

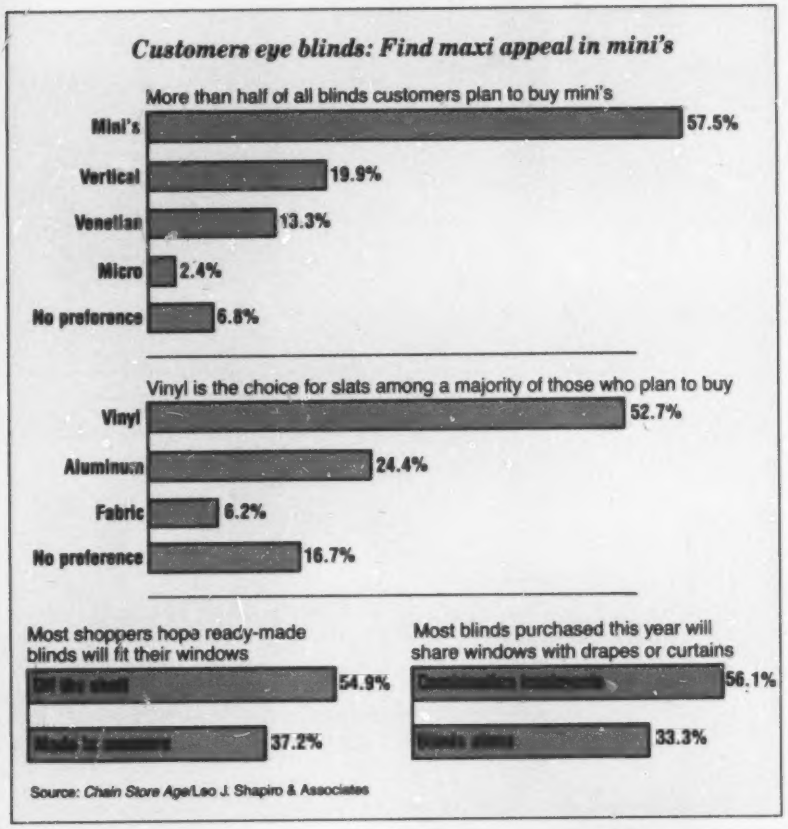
In blinds, the MarkeTrends families who expect to buy in the next 12 months continue to cite mini's as their probable choice. The size now constitutes 58% of the market among prospective blinds purchasers, the study shows.

Vertical blinds account for 20% of expected choices in the coming year, while traditional venetian blinds get a 14% share and micro-blinds are the choice of 2%. Fewer than 7% express no preference.

The fascination with mini-blinds is an on-going choice. Already, the style accounts for 20% of the blinds hanging in the nation's residential windows. Traditional venetian blinds are still 15%, vertical constitutes 9% and micro, 3%, with more than 2% not answering.

Vinyl remains the most popular material for slats, with nearly 53% of this year's potential blinds buyers choosing that option. Aluminum is the choice of 24% and fabric covered slats are favored by just over 6%. Nearly 17% fail to list a preference.

Most MarkeTrends families who



***Blinds are in 44% of all homes** and 16% of those surveyed anticipate buying more.*

expect to buy blinds in the coming year express no brand preference, but among those who do, Levelor remains the name most often mentioned, far ahead of Sears, Kirsch, Wards and Penney.

Usually, blinds customers intend to combine their new blinds with drapes or curtains. In fact, nearly 66% of those polled who expect to buy blinds in the next 12 months expect their new purchase to share a window with soft treatments.

Some retailers are meeting the challenge of combinations with hard treatments that incorporate toppers or other hints of soft treatments, says Jerry Kempa, Bali vp of marketing and sales.

Color choices remain a matter of evolution, rather than startling shifts of taste, says Bali's Kempa.

Grays, blacks and red-based colors continue to gain slightly, he says. Pearl tones and jewel tones are gaining, too.

Interest continues to decline in the earth tones that claimed great popularity for a decade, Kempa continues. Near whites are also still losing share.

Potential blinds customers also exhibit a measure of optimism about finding the size they need in stock but are unsure where to buy.

Nearly 55% hope to buy their blinds off the shelf. Made to measure is the expectation for 37%. Others are unsure.

In many cases, the realities of today's window treatment business could well dash those customer hopes of finding what they need at a relatively low, off-the-rack price.

That last point is underscored by the fact that the largest group of survey respondents, 35%, wants to buy in department stores, where custom-made is often the rule.

Those expecting to buy in discount stores amounted to 18%, specialty stores accounted for 11% and the remainder are undecided.

In all, 44% of the nation's home now have blinds. This year, 16% of those surveyed say they expect to buy blinds in the coming year. That is a healthy percentage, but not statistically significant from the 14% figure projected in the survey a year ago.

Sales will prove even stronger for curtains and drapes. Among survey respondents, 20% expect to buy curtains in the coming year and 18% anticipate the purchase of drapes. Both figures are near the levels of a year ago.

Needless to say, most people, 90%, already have either curtains or drapes, the survey indicates. Both are found in 50% of households, while 21% have curtains only and 19% have drapes only.

Pinch-pleated drapes remain the most popular variety, the choice of two thirds of survey respondents. Twenty-one percent want drapes with a pocket for a rod, while 15% express no preference.

Most customers, 57%, want washable drapes. For 16%, washable drapes are somewhat important and 20% say it is not at all important.

In window shades, buying intentions apparently are dipping. This year, 13% of those polled say they will buy shades in the next 12 months, compared to 17% a year ago.

Already, 41% of the respondents have shades. □

LUKE-WARM SALES AHEAD FOR COOKWARE

Good news and bad news for retailers. Consumers are cooking more these days, but doing so in microwaves, confirming retailer reports of a sales slowdown.

For the beleaguered stovetop cookware retailers across the country, *Chain Store Age*'s MarkeTrends study has both good news and bad.

On the positive side, the exclusive report prepared by Leo J. Shapiro & Associates shows that more consumers are cooking these days. On the negative side, it indicates that they are cooking more in microwave ovens.

The report appears to support the many retailers who blame the growing popularity of microwave for the sluggish sales of conventional top of the stove cookware this year.

The swing to increased home cooking is admittedly slight—80.5% of the consumers covered in the survey indicate that they cook compared to 79.2% last year.

Of those polled, 63.4% cook on a stove rather than on grills or in microwave.

Still, some 39.2% of the consumers canvassed in the study say they cook as much on the top of the stove as they did in past years, while 27.3% cook more and 32% less.

In other respects, the MarkeTrends report turns up few surprises.

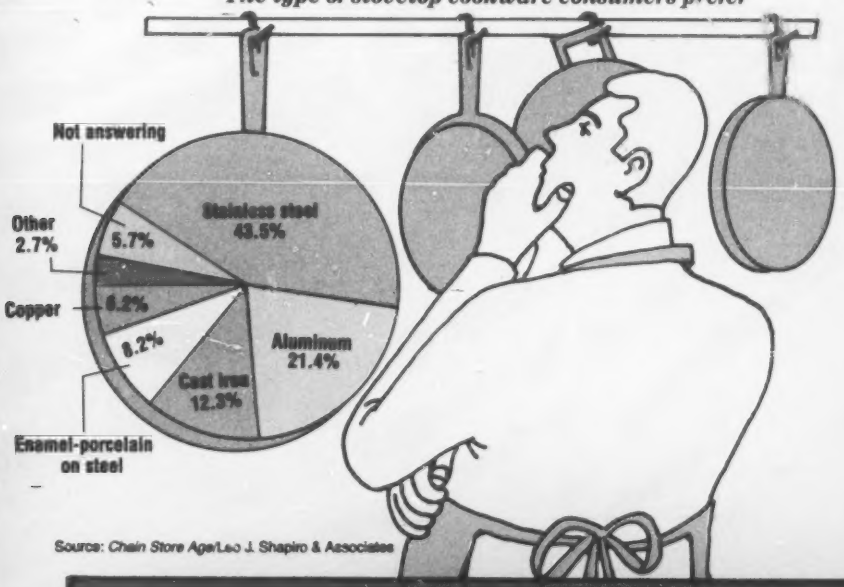
One development that might be considered a surprise, however, is the sharp decline in consumer acceptance of cast iron cookware. In this year's study, only 12.3% of the respondents prefer cast iron cookware, down from 21.2% in 1986.

Meanwhile, stainless steel continues to be the most preferred type of cookware by a wide margin. The metal is given the nod by 43.5% of the consumers. Its nearest rival is aluminum, garnering 21.4% of the vote. Enamel or porcelain-on-steel is favored by 8.2%, and copper, 6.2%. Except for cast iron, the percentage for each is virtually unchanged from last year, varying at most a half a point.

In view of the strength of Corning's Visions at retail these days—several buyers contend the line is the bright spot in the cookware picture—glass cookware might be expected to be higher in the popularity poll. Under 1% of the respondents use it on top of the stove.

Consumers cite a number of reasons for preferring the particular type of cookware they select.

The type of stovetop cookware consumers prefer



Source: *Chain Store Age*/Leo J. Shapiro & Associates

Ease of cleaning again wins hands down, with 30.5% of the consumers citing this advantage. Even heating is listed by 18% of those canvassed. Some 17.1% say they like the cookware because they already own it and are pleased with its performance.

Others (16.8%) favor the material because food does not stick or burn with its use, while 10.4% admire the cookware's durability. Interestingly, durability was a more important consideration to consumers last year when 15.1% of those polled gave it high priority.

Other reasons for selecting a particular metal include "it cooks better" by 9.4%; lightweight, 3.5%; cheaper, 1.3%; retains vitamins, 1%; no-stain and dishwasher safe by under 1%.

Cookware with non-stick interiors lost ground this year. Where 66.8% of the consumers preferred non-stick cookware in 1986, 62.2% favor the feature this year. Correspondingly, 34% prefer cookware without an interior coating this year as opposed to 31.8% in 1986.

A significnant number of consumers covered in the MarkeTrends study say they would be interested in cookware with clear covers, i.e. covers that the cook can see through. Some 61.2% of the consumers say they are very or somewhat interested in the feature, while 35.9% say they see no value in it at all.

As for storage, hanging from hooks is apparently not the answer. Only 11.3% of those canvassed said they use this method for storage. The vast majority (86.5%) use some other means of keeping the items out of the way when not in use.

While retail promotions have traditionally been built around sets, data in the study indicates that the consumer thinks more in terms of open stock when it comes to buying cookware.

Some 64.4% of the consumers say their next cookware purchase will be from open stock, while 31.8% give their votes to sets.

There is little unanimity as far as set size is concerned. Receiving the most votes, for instance, is the 8-piece set favored by 7.3% of the consumers. It is followed by 6- and 12-piece units, preferred by 4.5% and 4.3% of the respondents, respectively.

Judging from results in the study, price does not seem to be a major concern for consumers buying cookware. More consumers seem willing to pay premium prices for their cookware than those taking the low road.

Slightly more than one fourth (26.7%) of the consumers surveyed, for instance, say they expect to pay over $150 for a set. Similarly 25% of the respondents say they expect to fork over between $50 and $74.99 for a set. The lower end of the spectrum—under $50—is the goal of 17.3% of the consumers. The average amount the consumer expects to pay for a set, the study shows, is $116; the median amount, $75.

In which stores do most consumers buy their cookware? Of the traditional outlets, department stores are the channels that enjoyed the most cookware business according to the study. Where 8.6% of the consumers say they bought their cookware in mass merchandising outlets, 11.7% cite full line department stores. On the discount scene, K mart accounts for 2.8% of the business.

The Big Three national merchandisers—Sears, Penney, and Ward—however, make a respectable showing on the cookware front. They are cited by 7.9% of the consumers as their place of cookware purchase. Sears captures more than half of sales registered by national merchandisers. Its 4.2% compares to Ward's 1.7% and Penney's 2.1%.

Elsewhere at retail, 3.2% of the respondents buy cookware in catalog showrooms; 1.8% in hardware stores.

The *CSA* study shows limited consumer brand awareness in cookware. Indeed, nearly half (42.4%) of the consumers can not come up with the name of the brand they currently own. What is more, 7.2% cite the name of a non-stick coating —SilverStone—rather than a manufacturer's line when asked what cookware brand they own.

Du Pont's SilverStone, like its predecessor Teflon coating, is often considered a brand name by consumers, although in actuality it is a component of products made by a number of manufacturers. Of the bona fide brands, Revere ranks first, owned by 13.7% of the households polled.

Corning Ware is in third place (behind SilverStone), currently owned by 4.8% of those canvassed. Farber is cited by 4.2%; Club, 3.8%; and Wear-Ever, 3.4%.

Many consumers do not seem to be looking for versatility in their cookware.

Just under half (42.4%), for instance, do not think it important that stovetop cookware can also be used in the oven. On the other hand, 8.3% consider this feature a must, and 19.9% deem it very important. This capability is somewhat important to 27.9% of the households in the study.

Less germane to the consumer is whether stovetop cookware can be used in microwave ovens. Only 5.9% of those included in the study feel this is a must, while 10.8% consider it very important and 19.4% somewhat important. The majority of those polled (59.9%), however, do not think the capability is at all essential. □

***Some 64.4% of consumers** polled say their next purchase will be from open stock.*

Difficult choices and dwindling profits plague licensed products. Retailers complain of late deliveries, poor quality and short-lived merchandise, according to a *CSA* study.

Retailers scale back licensed sku's

Risk and dwindling profits haunt retailers in today's overcrowded marketplace for licensed merchandise. Merchants fret over choices and timing, and complain of late deliveries, poor quality, frequent markdowns and short-lived products.

Consequently, many retailers are scaling back their sku's of licensed goods and concentrating on display, while asking suppliers to provide more national advertising and to produce fewer, better and less expensive products.

Just the same, retail profits for licensed goods have shriveled over the last three years, according to nearly 60% of the executives surveyed recently by *Chain Store Age*. Profits are stagnant, say another 28% of the survey's buyers, merchandise managers and administrators. Fewer than 14% say profits are increasing. The survey polled retailers controlling more than 3,000 stores.

"We don't make a lot of money on them," one discounter laments. The story is similar, the survey indicates, for most department, discount, variety and toy stores.

More than 43% of those surveyed carry fewer sku's now than last year. About 37% carry the same number of sku's and 20% are carrying more.

Retailers are reluctant to predict how much licensed merchandise they will stock next year. Among those willing to estimate, few expect to boost next year's number of sku's. Of those who expressed an opinion in the survey, 39% expect fewer sku's next year, 48% expect the same and 13% anticipate more.

Sales volume is not the problem. For the last three years, nearly as many respondents report sales increases as report sales decreases.

***Mickey Mouse remains** a popular licensed character.*

Low margins on licensed goods trouble most of the retailers surveyed. "The margin crunch," is one respondent's summation of the problem.

"Maintaining decent profit margins," proves difficult, says another retailer, who adds that, "Mass merchandisers are promoting licensed goods every day."

High wholesale costs cause concern. "You don't know if the licensed product will sell better than the generic," says one merchant. "Because of the higher cost of the licensed product, you don't know if it's better than generic."

As margins shrink, timing becomes all. The short lives of many licensed products therefore frustrate many retailers.

"If a license doesn't have a long life, somebody gets burned," says one respondent. "There is the potential to be left with too much inventory."

Another complains of the "Volatility of the products and the resulting markdowns that occur when they're no longer hot."

"Getting in soon enough and getting out soon enough," is the crux of the matter for one of those surveyed.

"They wear out fast," says another. "It's very faddish. You have to watch your buying, or you'll be left with something old."

If timing is a concern, the possibility of choosing a flop is an even bigger headache. Fully 70% of the merchants surveyed say too many licensed products are crowding the marketplace.

One retailer says the biggest problem with licenses is "Picking the right one."

Choices seldom come easily. "A license may seem to have a lot going for it and nothing comes of it," says one retailer.

"You either have a winner or you don't," says another.

In picking that winner, retailers say the quality of the licensed products is the most important factor. On a scale of 1 to 5, with 5 most important, merchants rated product quality 4.52.

"Better quality and value in the merchandise," is needed, says one merchant. "It's not a license to steal."

"Put proper value into the product," says another.

In a tie for second most important factor in selection of licensed merchandise, at a rating of 4.19, were the proven popularity of the property and the appropriateness of the property to the products.

"Have the product make sense with the license," says a retailer. "They should fit each other."

Fourth was the price points of the licensed products, 4.07, and fifth was the reputation of the licensors.

3.93.

"The reputation of the person who has the license is important," says one merchant.

Advertising and promotional programs to support the license came sixth, 3.78, and a television series for the property was seventh, 3.70.

"Unless they [the licensors] do a national TV set-up," says a retailer, "we won't benefit from licenses."

"The license must be presold," says another.

Eighth came the anticipated popularity of the license, 3.11, and last was the number of products licensed to the property, 2.44.

The selection process would become simpler with fewer licensed goods from which to choose. In fact, retailers say children's wear, stationery and toys are nearly the only categories in need of more licenses.

Among survey respondents who express an opinion on the number of licenses needed for particular categories, nearly 77% say more would help in children's wear. A bare majority want more in toys.

The retailers are neutral on more licenses for gifts and novelties, while they oppose additional licenses in women's wear, health and beauty aids, sporting goods, home textiles, video and computer software. Not a single person in the poll wants more licenses in men's wear.

Most retailers prefer handling one or two licensed staples that sell well year after year, rather than dealing with a never-ending onslaught of new licensed products.

More than 61% prefer licensed staples, the survey shows, compared with less than 39% who want a constant infusion of new licensed products.

Discounters, however, choose new products over staples, 61% to 39%, while variety store merchants choose staples 12 to 1.

With so many factors to consider and so much at stake, many chains are resorting to buying by committee. Buying of licensed goods is coordinated across merchandise departments by 57% of the chains polled.

Among those who coordinate across departments, the coordination is performed by a group rather than an individual, by a margin of 2 to 1.

Fewer than half boutique merchandise with the same license, and among those who do not, few plan to start. The technique sometimes causes problems for tightly planogrammed discounters.

Boutiquing helps," says one retailer, "especially in department stores."

"In-store merchandising," is the answer, says another retailer. "Pull it together into a boutique."

Retailers say display must improve and could prove the most likely way to boost sales of licensed products.

"Display," is the answer from one merchant. "If we think it's good we put it on end caps and speed tables. We buy in depth to show customers it's there."

In short, retailers mull over many factors in their selection and presentation of licensed goods. Yet, even with the right choice at the right time, the best laid plans can go awry because of late deliveries.

One retailer cites "late deliveries," as his biggest problem, while another complains that, "Delivery and costs are the major concerns."

"Ship on time," one merchant admonishes suppliers, "so we can avoid out-of-stocks."

"Ship promptly and be flexible on re-orders," says another.

"Keep packs small so the retailer can reorder when something's hot," is the idea from another source.

While concerned about such problems, many retailers still see no need for additional contact with resources. Nearly 62% say they need no extra contact.

"We get the magazines devoted to licensing and we have contact with the vendors," says one, "so the information we need is out there."

Others say they need no additional contact with licensors but would enjoy more effective contact.

"Discuss your plans on the front end," one retailer advises licensors.

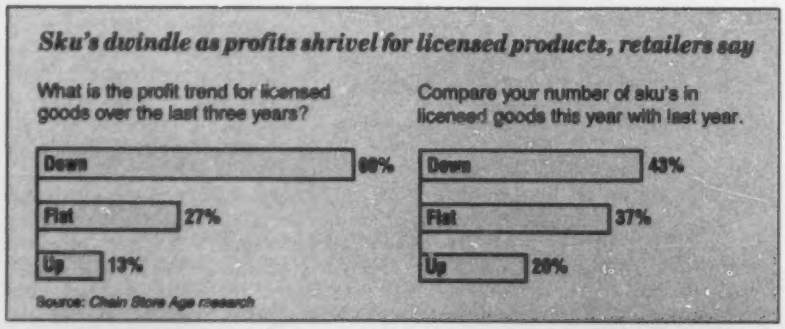
"Realize when a license is dead and become partners with the retailer in getting out," says another.

Among the retailers who do see a need for additional contact with licensors, keeping up with what is coming is important.

"We don't know what a license is until the company presents it to us," says a retailer. "We need to know what they're coming up with."

"We need to know where the license is going," says another. "To know the resource structure behind the license and to try to look for long term product stability for the retailer and the manufacturer." □

Sku's dwindle as profits shrivel for licensed products, retailers say



Retailers welcome licensed toys, but want few new licenses in other departments.

Weak B-T-S: a holiday portent?

Back-to-School this year was one of the weakest on record, and the disappointing season may augur a poor holiday selling season ahead. The 18 retail companies tracked by *Chain Store Age* posted a 11.2% sales gain in September. For the eight-month fiscal year, volume is ahead 10.2%.

August sales hikes were particularly slim, and many retailers took the opportunity then to point out that Labor Day fell a week later this year, pushing B-T-S into September.

The predicted September buying spree never appeared, however, and results for the combined two-month selling period were below plan for most retail companies.

Weak selling began in early summer, report many merchants, and its continuation beyond Back-to-School now threatens to stretch right through Christmas.

Nowhere is the trend more apparent than with the electronics specialty chains. Richmond, Va.-based Circuit City reported a 3% same-store hike for September, and held out few hopes for any bigger gains before year's end.

"We expect comparable-store sales gains to continue in the single-digit range for the remainder of the year," said Circuit City president/ceo Richard L. Sharp.

Same-store results for Minneapolis-based Best Buy dipped 7% in September, but senior vp Allen Lenzmeier pinned at least part of the blame for the sales downturn on troubles related to relocation of the company's distribution center in August. In particular, Lenzmeier cited continuing order fill rate problems.

Apparel specialty chains, which were hard hit in August, took a second blow in September. Columbus, Ohio-based The Limited recorded same-store results up only 1% in September. Limited chairman/ceo Leslie H. Wexner nonetheless attempted to find a silver lining in the September results.

"September's comparable-store sales are typical of what is experienced during a period when customers are making a fashion transition," Wexner said. "We consider this year's results to date as good, although not up to last year's record percentage increases, when we recognized comparable-store sales gains of 23% in September," he said.

September was not without its winners, however. Discounter Wal-Mart, which recorded a 36% overall sales jump, posted comparable-store volume up 13% in September, beating its own heady 12% rate for the year-to-date.

Braintree, Mass.-headquartered Bradlees comparable totals were 8% above last year's figures. For the first eight months of the current fiscal year, Bradlees same-store totals gained 5%.

Caldor, May Dept. Stores' Connecticut-based discount chain reported same-store sales ahead 10.9% in September and up 7.7% for the year.

The Big 3 mass merchants turned in good months, too. J. C. Penney rang up a 7.9% same-store sales hike in September for its store and catalog divisions. Montgomery Ward volume was ahead nearly 12%.

Sears, the nation's biggest retailer, posted a 5.5% same-store gain for combined U.S.-Canadian operations. But typical of many retailers, Sears results for the entire August and September Back-to-School season were up by only half that amount. □

September sales rebound, gain 11%

Major chains	% change	September sales* 1987	September sales* 1986	Stores 1987	Stores 1986	8-mo. sales* 1987	8-mo. sales* 1986	% change
Sears[1,2]	+ 5.2	$ 2,467,527	$ 2,345,688	809	801	$16,978,392	$16,435,811	+ 3.3
Penney[2]	+ 8.5	1,233,000	1,136,000	1,841	1,876	8,245,000	7,874,000	+ 4.7
Ward	+11.7	426,600	382,000	302	292	2,797,900	2,606,700	+ 7.3
May Dept. Stores	+ 8.7	964,100	887,300	2,866	2,664	6,310,500	5,783,400	+ 9.1
Dayton Hudson	+11.9	871,000	778,200	526	418	6,029,000	5,300,000	+ 13.7
Federated[3]	+ 6.7	801,600	751,400	526	493	5,349,100	5,062,800	+ 5.7
Carter Hawley Hale	+ 3.8	231,000	222,600	112	112	1,582,800	1,501,200	+ 5.4
Mercantile	+ 9.7	198,752	181,172	79	82	1,287,485	1,210,118	+ 6.4
Carson Pirie Scott[4]	+10.3	87,100	78,958	N/A	N/A	532,200	463,030	+ 14.9
K mart[1,4]	+ 7.0	2,163,700	2,021,600	2,085	2,187	15,335,900	14,236,000	+ 7.7
Wal-Mart	+35.9	1,207,000	888,000	1,163	992	9,515,000	7,030,000	+ 35.4
Zayre	+23.3	600,500	487,000	1,139	1,053	3,788,800	3,202,100	+ 18.3
Woolworth[4]	+14.7	392,000	341,000	N/A	N/A	2,617,000	2,430,000	+ 7.7
Ames	+ 6.8	194,600	182,200	479	456	1,280,000	1,133,600	+ 12.9
Bradlees	+13.1	181,000	160,000	167	157	1,190,000	1,075,000	+ 10.7
Tandy[2]	+15.6	237,430	205,293	N/A	N/A	1,841,636	1,661,585	+ 10.8
Circuit City	+28.1	97,000	75,700	93	78	699,800	513,000	+ 36.4
Best Buy	+88.5	29,400	15,600	35	15	216,500	102,454	+111.3
Totals & Averages	+11.2	$12,383,309	$11,139,711	—	—	$85,597,013	$77,620,798	+ 10.2

*000 omitted. N.C. = no change. N/A = not available.
[1]Store number for full-line outlets only. [2]Domestic operations only. [3]Excludes supermarket sales. [4]Retail division only. [5]Continuing operations only. [6]Store number for K mart stores only.

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